

Local is lekker: building a global mining supply chain from South Africa



Oh my goodness, it's nearly Christmas! How the time flies when you are enjoying yourself. It's year end and time to reflect, as well as to look forward to the New Year.

2018 has been a tumultuous year for the mining industry in South Africa, what with the appointment of a new President of South Africa, a new Minister of Mineral Resources, and a Mining Charter that we can work with as an industry.

Within the Charter is the key aspect of local procurement of capital goods, consumables, and services by and for the industry. This focus is aimed at stimulating the mining goods and services supply chain with the purpose of creating employment and export opportunities, with special emphasis on historically disadvantaged South Africans and communities, BEE credentials of suppliers, youth, and women in mining.

Through our revised strategy, which I referred to in my last President's Corner, the Institute already has focused attention on the youth, through our Young Professionals Council, which places special emphasis on developing young entrepreneurs and supporting them to set up SMMEs in the mining supply chain.

Additionally, the Institute, under the guidance of our Immediate Past President, has initiated the Committee on Diversity and Inclusion in the Minerals Industry, which, in her words, has a 'focus on providing a platform, through SAIMM activities, to raise awareness on issues of diversity (gender, ethnicity, religion and other diversifying factors) and inclusion in the workplace for professionals in the minerals sector. Partnering with other like-minded groups such as Women in Mining South Africa (WiMSA) on occasion to deliver initiatives and activities to members is also envisioned'.

In addition to these initiatives, the Institute pledges its support for the development of the local supply chain, in line with the Charter requirements.

Following on from the Mining Phakisa in 2015, an initiative was created through the Department of Trade and Industry to establish a local mining capital goods Cluster Development Programme, to support the development of local manufacturing of mining capital goods, create employment in the manufacturing sector, and to grow export potential. This resulted in the formation of MEMSA, the Mining Equipment Manufacturing Cluster, which has as its Vision to 'position SA mining capital goods, components & product manufacturers as a cost competitive, innovative and transformative industrial cluster which is the preferred supplier to the local, regional and global markets. Clusters are all about activating the benefits of cooperation alongside healthy competition.'

MEMSA is a manufacturing industry cluster organization. It operates nationally and has members across South Africa. Membership has increased from an initial 13 to 28 and is still growing, with membership now including suppliers of consumables and services to the industry.

The formation of MEMSA and its marketing to industry have shown that the South African mining equipment fraternity has the capacity and capability to supply the mining industry with products that are globally competitive, both in terms of technological advancement and cost-effectiveness, facts that are often overlooked by mining industry customers.

The Department of Trade and Industry, as well as the Industrial Development Corporation, have a vision of doubling the turnover of South African mining equipment manufacturing, a target which MEMSA members say is easily achievable.

While the initial focus was on the manufacturing of mining capital goods, attention has now also turned to the supply chain of consumables to the industry, as well as to the capital goods manufacturers, in terms of local supply of components through emerging OEMs and SMMEs.

As far as international suppliers of capital goods are concerned, these range from 100% importers of capital goods to local assembly, through to local manufacture and/or local supply chain procurement. Obviously, within the objectives of the Charter, these international companies are encouraged to step up their local manufacturing capabilities, either through specific product lines or through localized supply chain development. The latter creates opportunities for local industrialization, either in the economic hubs of South Africa or within local communities, thereby creating sustainable job opportunities and promoting skills upliftment.

The Institute is proud to have invited MEMSA to be an observer-status member of Council, so that we can support local industrialization, MEMSA, and the realization of the Charter objectives and targets. As an initial engagement, the Institute is working with MEMSA and its mineral processing equipment manufacturing equivalent (SAMPEC) on an event in February 2019 which will unpack the implications of the Charter requirements, from a government, supplier, and industry perspective. This is especially to identify the challenges of set-up costs and switching costs over the five-year period in which the Charter requires these targets to be met, on a phased schedule.

With that look at some significant industry developments in 2018, and a glimpse of how the Institute will participate in this important area in 2019, it leaves me to wish all of our members and their families, as well as our wonderful staff, a blessed and peaceful Christmas, a belated happy Diwali, a happy Chinese New Year, and shared blessings for all our diverse cultures and religions, and a prosperous, safe, healthy, and unified New Year for our wonderful South Africa and all its people.

A.S. Macfarlane
President, SAIMM